

Red Light...Green Light

— JASON VINCENT, PFP, TEP, CHIEF OPERATING OFFICER AND VICE PRESIDENT

Given the emotional intensity of markets, it's understandable that investors may be questioning what the next 12 to 24 months hold in store. Having "lived a lifetime" since 2008, we can see where some may be pondering that age-old investment adage: Do I sell in May and go away?

On a purely emotional basis, an escape route has a certain appeal. However, our mandate is to apply investment discipline and knowledge, strategy and process to flatten the tsunami waves of fear and greed washing over markets all too frequently. With that in mind, our investment views are based on the following:

- The financial and economic turbulence has the full attention of governments and central banks around the world. At minimum, they're committed to working independently and collectively, over the short and mid-term, to achieve stability. The US\$1-trillion euro plan is the most recent show of solidarity among governments. While we're not suggesting bailout behaviour is the cure, it does buy time to establish meaningful change that can help countries become fiscally responsible.
- We're in the midst of a long-term economic recovery. Despite the debt issues percolating in Europe, we're witnessing ongoing improvement in some investment fundamentals and economic conditions, mounting a case for future positive performance. History and experience tell us that for every two steps forward, we can expect one step sideways or back. In keeping with this reality, we know volatility will be a recurring issue for the foreseeable future.
- Investors may be using the wrong yardstick to measure financial and economic success. Markets have returned to longer-term historical returns, which are significantly lower than the results of the early 1990s to 2007. As time marches on, we expect investors will become more accustomed to the reality that markets very seldom move only in an ever-upward direction.
- Investors' core holdings should be in high-quality securities that include such key characteristics as: higher profitability, healthy reinvestment rates and yields, as well as lower risk parameters than the market.

Eighteen months ago, we rightly encouraged investors to "get paid," while they waited for the worst of the crisis to pass. Twelve months ago, we correctly recommended positioning portfolios to capture the benefits of the market's recovery. We believe performance is the best evidence of the value of our recommendations. In conversations with you and, as outlined in this edition of *Matco Report*, you'll see we've effectively manoeuvred portfolios through the market debacle of '08, the early stages of the recession, into positive territory and to a sound starting point for generating "new" results going forward.

Given our current research and analysis, we recommend investors remain committed to their investment objectives and the markets. Will it be a smooth ride? No. However, by staying disciplined to your objectives and strategy, you'll be much better able to rise above the daily emotional vagaries of the market. We believe the critical question isn't whether to stay or go, but how to prudently manage through this environment. We look forward to discussing our ongoing answers with you. ■

Introducing Baron Lee

We're pleased to welcome Baron Lee to Matco Financial. In his role as analyst, Mr. Lee will apply his skills and industry experience in supporting our investment and operations teams.



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We are a privately held investment management firm answering the wealth management needs of individuals, trusts, corporations, foundations and charitable organizations.

Our role is to provide you with specific strategies and well-diversified portfolio(s) that can protect your capital and achieve long-term growth, without exposing you to unnecessary risk. Our proven money management process combines bottom-up research, analysis and stock selection with our qualitative expertise.

This is what we do.

At Matco Financial, each partner has a personal stake in your long-term success. We believe the most valued relationships are built one-on-one over time. We believe you judge risks and opportunities as much by the people involved as by the numbers on the page.

This is who we are.



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